



Rebuild Iowa Task Force Economic and Workforce Development Meeting Notes

**Monday, July 28, 2008 — 9:30 am
West Des Moines Learning and Resource Center
3550 George Mills Civic Parkway
West Des Moines, IA 50265**

Task Force Members Present:

J. Michael Earley, Bankers Trust (Co-Chairman), Des Moines
Bill Gerhard, IA State Building and Construction Trades Council (Co-Chairman), Iowa City
Kelly Armstrong, Community Main Street, Cedar Falls
Beth Brockett, Alliant Energy, Cedar Rapids
Bill Dotzler, Iowa General Assembly, Waterloo
Linda Gidley, Iowa Workforce Development and SECC, Burlington
Jim Heckman, Iowa Small Business Development Center, Ames
Richard Hunsaker, Region 12 COG, Carroll
David Jacoby, Iowa General Assembly, Coralville
Jessica Palmer, Cedar Rapids Area Convention and Visitors Bureau, Cedar Rapids
Michael Richards, Soya Wax, Cedar Rapids
Justin Shields, Hawkeye Labor Council/City Council Member, Cedar Rapids
Mallory Smith, M Smith Agency, West Liberty
John Sorensen, Iowa Bankers Association, Johnston
Robert Untiedt, Linn County Nonprofit Resource Center, Cedar Rapids
Denny Warrick, Manpower, Des Moines
Tami Wiencek, Iowa General Assembly, Waterloo

Resource Group Members Present:

Matthew Anderson, City of Des Moines, Des Moines
Thomas Davey, US Bank, Washington
Diane Fountain, Scooters Bar and Grill, Anamosa
Kelly Fredericks, Iowa Workforce Development, Des Moines
Lily French, Iowa Policy Project, Iowa City
Roger Grobstich, RWDSU International Union
Kirk Hiland, Iowa Realty Commercial, Cedar Rapids
Thomas Hurd, Alternative Energy Consultants, Mason City
Steve Morrissey, Steve Morrissey CPA, Urbandale
Mark Reinig, Engineering University of Iowa Pomerantz Career Center, Iowa City
Douglas Schumacher, A1 Rental
Elliott Smith, Iowa Business Council, Des Moines
Gary Streit, Shuttleworth and Ingersoll, PLC, Cedar Rapids
Thomas Summy, Retired, Iowa City
Robert Stringer, City of Waterloo, Waterloo
Mike Tully, Aerial Services, Inc., Cedar Falls
Tom Hobson, Rockwell Collins

Mike Ralston, Iowa Association of Business and Industry, Des Moines

Presenters:

John Boyle, FEMA

Elisabeth Buck, Iowa Workforce Development, Des Moines

Allen Clausen, Hawkeye Community College, Waterloo

Alex Contreras, Iowa Small Business Administration

Jane Fogg, United Way, Des Moines

Jami Haberl, Executive Director, Safeguard Iowa Partnership

Mike Tramontina, Iowa Department of Economic Development, Des Moines

Observers and Guests

Noreen Bush, House Republican Caucus Staff

Matt Ballard

Victor Elias, Child and Family Policy Center, Des Moines

Dave Epley, House Democratic Caucus Staff

Carolyn Jens

Jennifer Jacobs, The Des Moines Register, Des Moines

Brian Jennings, State Capital, Des Moines

Sue Monahan, Senate Democratic Caucus Staff

Joe Raso, Iowa City Area Development Group

Ron Robinson, Legislative Services Agency

Tim Whipple

Staff

Joe Mowers – IWD (RIO Office) (not present)

Laura Stein – IDED (RIO Office)

Paritosh Kasotia – SPPG

Jon Rosmann – SPPG

Tom Slater – SPPG

Welcome and Introductions

J. Michael Earley (President and CEO, Bankers Trust) and Bill Gerhard (President, Iowa State Building & Construction Trades Council)

Co-Chairman J. Michael Earley welcomed and thanked everyone for their willingness to participate in the task force. Task Force and Resource Group members introduced themselves. Earley explained the charge of the Task Force. He said that the Task Force meetings offer a very important process to identify issues and gaps and formulate recommendations. The recommendations made at the Task Force meeting will be taken by the Commissioners to be presented to the Office of the Governor and the General Assembly. Therefore, that makes the process and the meeting very critical.

Co-Chairman Bill Gerhard welcomed the Task Force and Resource Group Members and thanked them for their time and commitment in looking at these issues. He emphasized the importance of the day's work.

Estimated Damages and Unmet Needs

Chairman Gerhard and Earley each gave a brief overview of the estimated damages and the unmet needs. Information from Iowa's 2008 disasters follows.

Magnitude

- 19 lives lost in the Iowa floods of 2008
- 86 Counties have received a Governor's Disaster Declaration
- 78 Counties have received a Presidential Disaster Declaration
- 1,300 city blocks in Cedar Rapids were flooded
- 32,000 Iowa families have so far registered for disaster assistance
- 40,000 Iowans have been displaced from their homes
- 4000 Iowa National Guard were called in response to the disaster
- Over 50,000 Iowans have volunteered in the response, recovery, and rebuilding of our state

Housing

- \$856,000,000 in housing needs, not met by FEMA
 - 4,369 homes have sustained major damage
 - 5,818 homes have sustained a minor damage
 - 11,943 homes have sustained damage requiring repair
- \$90,000,000 in rental assistance needs, not met by FEMA

Education

- \$50,000,000 estimated damage to Iowa's public school districts
- \$231,000,000 in estimated damage to The University of Iowa, \$136,000,000 of which is uninsured
- \$20,000,000 in estimated damages to public libraries
- \$1,000,000 in estimated damages to Iowa's community colleges

State Government

- \$46,000,000 damage to state agencies not otherwise categorized in this document.

Business

- \$5,357,940,000 in total estimated damages to Iowa's business community
 - \$2,678,970,000 in unmet needs for Iowa's businesses

Transportation

- \$42,191,275 in estimated damage to county secondary roads, not covered by the federal highway program
- \$45,000,000 to \$60,000,000 in estimated damages to Class I railroads

Rural Iowa

- \$4,500,000 damage to rural electric cooperatives

Agriculture

- The Iowa Farm Bureau has made a preliminary estimate on damages to agriculture of at least \$4 billion. The Governor has asked the Damage Assessment Reports (DARS) to be undertaken by the United States Department of Agriculture's (USDA) Farm Service Agency (FSA). Damage assessments are currently underway, and it is expected that the

reports will be provided to USDA in the first two weeks of August. With the completions of the DARS process, a clearer picture of damages associated with agriculture production can be provided.

Actions Taken

Chairman Earley mentioned Governor Culver and Lt. Governor Judge established the Rebuild Iowa Commission, chaired by The Adjutant General Ron Dardis. Governor Culver also established the Rebuild Iowa Office (RIO), led by Lt. Governor Patty Judge. The Governor established the Iowa Disaster 2008 Fund and charged several Iowa business leaders to lead an effort to collect private donations to assist in the rebuilding effort.

Charge to the Task Force

Chairman Earley explained that the Charge to the Task Force is:

- To assist the Rebuild Iowa Commission in fulfilling its duties – we have this first meeting and will determine after the first 45 days how to proceed.
- To gather and review information and best practices.
- Be a part of community outreach.
- Promote and provide public education regarding the issue.
- Submit to the Commission a report and recommendations on how the State of Iowa can help in laying the groundwork to guide decisions for a stronger, safer, and smarter Iowa.

Chairman Gerhard gave an overview of the day. Focus in the morning will include presentations and it is our expectation that, while there will be questions after each presentation, there will be a facilitated discussion later in the morning to focus on the greatest need, and gaps, relating to economic and workforce development issues. In the afternoon, we will continue the discussion and work to develop a prioritized set of recommendations for our report to the Commission. Chairman Gerhard introduced Tom Slater of State Public Policy Group as the facilitator for the meeting who will lay out some guidance and “suggested rules for the day.” Slater mentioned that if certain issues emerge after the discussion, the group members should feel free to contact the RIO staff, Laura Stein and she will share the information with the Co-Chairmen Gerhard and Earley and the Commission.

Slater asked the RIO staff to introduce themselves. Staff in attendance included Laura Stein (Iowa Department of Economic Development), Jon Rosmann and Paritosh Kasotia (State Public Policy Group). Slater said that his role will be to help facilitate and provide guidance to the meeting. The goal will be to come out of the meeting with a framework that will be transformed into a report and will go to the Commission. The Commission will meet three more times. The Commission meetings will be followed by an event called *Speak Up Iowa* where the general public will have an opportunity to express their views. Tom Slater talked about the packets given to the members and mentioned that it contains a list that lists everyone's name and organizational affiliation.

Slater reviewed the process of the Task Force. He talked about the 45-day phase and the challenge it poses to put together a report for the Commission which will make recommendations to the Governor and be provided to the General Assembly. Slater thanked legislators, Tami Wiencek, David Jacoby, and Bill Dotzler for being a part of the Task Force and the day's meeting. Slater mentioned that each Task Force has four representatives from the legislature as members. Slater explained the selection process and the role of the Task Force

members. Since many people had applied for the Task Force, it was critical to secure views and data from a broad cross-section of Iowa and those with the required experience and expertise. In addition to the Task Force, a Resource Group was formed to ensure the process is inclusive of all views and representations. Slater discussed the role of the Resource Group to inform the group on any issues that are raised. He also noted that the Resource Group members may be called upon to respond to questions. He further mentioned that Resource Group members are like Task Force members and are asked to submit their views on the issue.

Slater discussed the time frame for collecting and reporting the Task Force meeting information in the next 18 days. He further mentioned that the day's Task Force meeting will be fairly straightforward and will be recommendations will be consensus based; therefore, it will not require voting on anything. He further mentioned that if there is a general disagreement, they are open to another minority report. Slater asked members if anyone had any questions on the process. Members did not have any questions on the process.

Roundtable Discussions

Chairman Gerhard introduced the first speaker, Elisabeth Buck.

Elisabeth Buck, Director, Iowa Workforce Development (IWD)

Buck updated the group on important programs that Iowa Workforce Development has developed. As a supplement to her presentation, she distributed a handout which summarized her talking points. The first program Buck mentioned is the Emergency Public Jobs (EPJ) Program funded by the Department of Labor. Buck mentioned that the program assists with rebuilding public projects in the community. The grant awarded \$17.1 million in National Emergency Grants. Buck said that so far IWD has 123 work sites around the state that have been identified. The program can provide employment opportunities for 882 Iowans. Buck gave examples of EPJ in different counties such as Adams, Butler, Delaware, Des Moines, Floyd, Iowa, Linn, Louisa and Polk. Buck shared the map that showed counties eligible for the EPJ program. Some of the project examples include work on historical sites such as the African American Museum in Cedar Rapids and Amana Historical Society in Iowa County and also bike trails such as Neal Smith Bike Trail in Polk County. Buck mentioned that IWD is always looking for more projects. She welcomed the Task Force members to work with IWD to meet their community needs. Buck also discussed some of the hurdles with EPJ. She said that the biggest hurdle was the lag time, although they are still ahead of the 1993 timeline. She said that IWD's first priority is to help people affected by flooding by providing EPJ jobs. The second priority for IWD is to assist people who have been dislocated and unemployed.

Buck explained the second program called the Disaster Unemployment Assistance Program (DUA). Buck mentioned that Iowans who are applying for this program are not counted against their employer's unemployment. She mentioned that over 9,200 Iowans are receiving Disaster Unemployment Assistance. This program comes under the regular unemployment disaster category. She said that small business owners are eligible for DUA program. So far, there is a small group of Iowans who are applying for this assistance. The deadline for this program is August 12. Buck said that she is considering putting another extension beyond the two extensions that are already in place. She said that the Task Force can decide whether IWD should extend the deadline. Buck mentioned that she is concerned with the farmers who have to replant and if there is a frost, they might be impacted. Therefore, she would want to extend the deadline. She asked the Task Force members to look at it as a group and come up with a decision.

Buck also talked about the outreach process. She said that IWD is looking for ways to get the word out about these programs. They have done a lot of press releases and educated the public about these assistance programs. Buck shared the map that shows who are eligible for disaster unemployment assistance. Buck also talked about the temporary changes in asbestos emergency rules to aid in the clean-up efforts. She said that the out-of-state contractors are aware of Iowa's new rules and that out-of-state permits are accepted on a limited basis. She said that they have to do a lot of outreach work in contacting folks to make them aware of the Iowa regulation.

Buck asked the members if they have any questions for her. Discussion and comments followed.

Chairman Earley asked Buck why the programs are not popular. Buck responded and said there are a lot of businesses who have been willing to pay their employees and so the people have not applied for the assistance program. Buck further mentioned that Iowans are taking care of their personal needs and have not thought of anything else. She said that 19,000 Iowans have applied so far. Buck also mentioned that, procedurally, people have to request it. The problem is also that since people are recovering, they are probably going to file slowly, especially those in the agriculture community.

A Task Force member asked Buck the estimated disaster unemployment number and those who applied for assistance. Buck said that FEMA will have those numbers, but it is also hard to know since people can lose their property, such as their homes, but can still be working, and some can have fine homes but may not be working. Buck said that it is hard to estimate the unemployment numbers.

Buck was asked what programs people qualify for such as part-time or full-time. Buck said that emergency jobs provide much better compensation than unemployment benefits. Emergency jobs offer prevailing wages which is a good deal and also is a great resume builder. Kelly Fredericks mentioned that IWD has a very good website that lists information on IWD services and also lists program application forms in addition to links to additional resources.

Ms. Buck was then asked how disaster employment programs work in the farm communities who have other forms of back-up support. Buck mentioned that the key factor is to look at the tax return from last year. Basically, people need to apply and let IWD sort it out. The process is a little bit time consuming.

Chairman Earley asked Buck to share IWD's outreach efforts. Buck said that they have done a lot of press releases and have partnered with the Governor's Office and RIO and have travelled to do outreach, have done press conferences, and partnered with the Farm Bureau. She mentioned that it is always a challenge to reach out to people who are interested.

Chairman Gerhard invited Michael Tramontina to present.

Michael Tramontina, Director, Iowa Department of Economic Development (IDED)

Tramontina discussed the meeting of the Iowa Economic Development Board Due Diligence Committee Meeting in Okoboji, where disaster economic development issues were the primary agenda. Vince Lintz, Deputy Director, IDED, represented the department at the first Commission meeting that included much of the same discussion. Tramontina said that they do have some recommendations. The flooding has had an impact on businesses and it has been

regional. Flooding in Coralville, Cedar Rapids, and other cities has caused a powerful impact on businesses. Cedar Rapids lost electricity in the first four to five days. Tramontina mentioned that the situation is very negative in the short term and calls for a big adjustment. It is hard to say what will be the overall impact on the economy. It is hard to estimate the damages in just four or five meetings with local businesses or by looking at Small Business Administration (SBA) applications.

Tramontina talked about businesses applying for SBA loans. SBA's request for assistance loan was only 190 applications. Thousands of businesses were impacted but only 190 have applied. The number of applications received will grow over time as people file later, but it is hard to tell whether businesses are small or a larger size. It is also hard to tell the number of people who received the applications and the number of people who filed the application. SBA says that bigger companies do not file because bigger the company, the more likely they are to be insured. As a rule of thumb, publicly-traded companies do not file for SBA.

Tramontina said that it is hard to estimate the damage impact. Tramontina discussed that the best process of filing for SBA is to file with FEMA. For one to qualify for an SBA loan, one has to demonstrate cash flow and exhaust existing insurance first. Tramontina said that beyond SBA loans, there is zero grant money, value funds, or tax credits to provide assistance to businesses. Tramontina mentioned programs designed for retention do not contemplate investment in the disaster situation. In the 1993 flooding, Community Development Block Grant (CDBG) served as the major source of funding for housing and community development. In '93, around \$72 million was the amount of business damage in the Des Moines downtown area. However, only \$400,000 spent for business. The biggest grant that a company received was \$100,000. Virtually, nothing was spent for the businesses. Tramontina said that the state needs to provide a response. Valley Junction was wiped out in '93 but it came back stronger than before. But, something more needs to be done such as expanding CDBGs. SBA loans are not sufficient. Many businesses already have too much debt and they are not willing to take on more debt. Tramontina mentioned that none of the funds go to downtowns or downtown development. In terms of business assistance, the state does little because there are not programs. Other states have tried to leverage people in the SBA loans. Perhaps developing some kind of program that can provide a forgivable loan or grant up to \$20,000 - \$25,000 will give businesses some cash to receive an SBA loan. He mentioned that SBA discourages people from getting a 4% interest rate loan and that the system should be made easier for people who are not getting the loan. Tramontina also mentioned that there should be a special program for large employers who have the same kind of intentions. Strong waivers should be provided. Since the national economy is shaky, Iowa should make use of its competitive advantage. Iowa needs to be aggressive. Tramontina said that IDED is working to attract wind and solar companies as well as manufacturers. He said that IDED can designate, at the most from current budgets, \$5 million. But, the state needs to do something soon, the sooner the better.

Comments and discussion followed. It was mentioned that the University of Northern Iowa (UNI) is networking with businesses to determine the effects of tornadoes and flooding, and they will tell us that SBA loans are not enough. Chamber of Commerce and Cedar Valley businesses want grants instead of loans.

A Task Force member noted that flooding will drive wages further down in Iowa. Iowa is already a low wage state and some people want to take advantage of that. Shields said to consider a company now in Cedar Rapids that has been there for 100 years and has employed over 200 people. They got flooded out and cannot rebuild economically and want to stay in Cedar Rapids,

but if the state does not do anything to help them, they will leave and move to Texas. In Cedar Rapids, they pay their employees \$14 an hour, but in Texas, they will pay \$10 an hour. Shields recommended that the legislature make some adjustments for companies that have been in Iowa and would like to stay there. He said that there is a need to protect those kinds of businesses, and in Cedar Rapids, there are hundreds of them.

It was emphasized that timing is a big issue. People need cash flow as they have payroll and other obligations. She said that small businesses are an integral part of small towns since this is what they are made of.

Iowa does not have direct state programs. There is a need to have state-administered programs that help businesses. He said that 40 percent of businesses that are affected by disaster are likely to close and 25 percent of those will close after two years. Whether it is retail or manufacturing, employment and tax base will be affected. Jacoby said that there are frustrations in Cedar Rapids. People with credit rating of 840 or 810 are eligible for an eight percent loan. There are lots of small businesses in the Cedar Rapids area and only 50 percent have committed to reopening.

The state has fair amount of funding available. The state has dollars that are put in banks as a part of the Link Deposit and can be made available to businesses at a lower interest rate of three or four percent. These loans can be fully payable and secured and can be modified. Tramontina said that the state does not use this as a cash management tool. It requires state dollar commitments.

Tramontina was asked if there is any possibility to have programs directed to property tax abatement. Tramontina said that he is not aware of any such programs.

Alex Contreras mentioned that SBA approved only 263 loans when it issued, and in 5,893 applications distributed, SBA has received only 865 back. He said that people do not even apply for loans as it is hard for people to get the records or they might not have the records, but there are resources in the state that can help them put together the records. Contreras said that 40 percent of those who apply for SBA grants get them. He said that only 15 percent of the applications have been returned.

It was noted that in Cedar Rapids that people are required to use their houses as collateral, but what do you when the mortgage have been fully paid off. He said that small businesses have very little leverage. They do not want to take loans on top of existing loans. He said that putting short term loans on existing loans will not work, neither will it produce jobs. He said that a grant process has to be the solution for Cedar Rapids. Grants would need to be large grants in billions of dollars to truly cover the damages and costs.

It was suggested that there is a possibility to receive eligible dollars from the federal government. After the 1993 floods, loans were established that came with a matching requirement and the state provided the matching. He said that the state could leverage federal dollars to capitalize additional dollars. These loans can be fully repayable and secure. Tramontina mentioned that people need to re-locate and companies should not be allowed to locate where they are if it is not part of the city's rebuilding plans. The Economic Development Administration (EDA) money goes to such places for public works programs.

Iowa Realty Commercial estimated physical damage loss to downtown buildings in Cedar Rapids, not including the residential buildings, to be around \$336 million. He said that actual

physical damage and remediation loss will take \$8 million of the city's tax base. He further mentioned that residential buildings will not be rentable since landlords will first have to get them back in shape. To do this, grants are needed that will help the downtown area of Cedar Rapids and other areas to come back up at some point where business owners can put tenants back in. If we are not able to do this, we do not have to worry about getting new jobs back in because there won't be any businesses. Iowa Realty Commercial's Hiland mentioned that the state needs to take steps and needs to look into EDA funds. He said that communities need cash, they do not need loans.

Now, loans are all we have to work with. Part of the problem is that the full scope is not quantified. He said that based on their preliminary estimates, they think that impact, particularly on small businesses is going to continue in the next three years for up to 10 years. He said that there are 12,000 small businesses that have fewer than 299 employees. He said that many employees will see the ripple effect a year later. Employees of businesses that have a direct damage from flooding may not be there to help. He estimated 600 million dollars in lost revenue for small businesses and said that it will get worse in the next 12-18 months. He further emphasized that risk is bigger in the small communities, since businesses in smaller communities do not have the elasticity that large urban communities have. Smaller community businesses see serious disruptions in their customer base, supply chain and a lot of businesses going out of business on a permanent basis. He said that 90 counties have received SBA disaster declarations but small businesses do not have the capacity to take on loans, therefore, there needs to be some kind of additional relief such as matching grant fund.

Our goal should be to rebuild smarter. New construction should allow and encourage options for energy conservation. There should be better uses of the funds that are put in.

More flexibility should be given to the IDED. IDED needs funding for retail support. CDBG money should be funneled into EDA. It was noted that states can look into putting dollars in these funds and these funds can be given out to the businesses based on the criteria of each community rather than just looking through SBA grants.

Chairman Gerhard welcomed Allen Clausen to make comments.

Allen Clausen, Director of Industrial Training and Development, Hawkeye Community College
Clausen focused on three items, namely Resources, Infrastructure, and Training (RIT). Clausen also attended the Okoboji Professional Developers conference about the same time the flooding started. He discussed that some of the programs that are created in the community colleges are built with oversight from the legislature, IDED, and with a focus on responsiveness. Clausen said that community colleges' work is built on responsiveness to the needs of workforce development. Clausen gave an example of chronicling some of the activities of the Hawkeye Community College infrastructure. Iowa has 15 community colleges with each district having a central campus with communication capabilities, ICN, internet and is well connected to the community college system. The system developed by the ACC is well focused on disaster of this magnitude, but noted the focus after September 11, was on terrorism. The College created a bunker housing servers for data storage for businesses and government. The College housed three businesses that did not have disaster business continuation contracts. The college began the disaster recovery plan for Great America Leasing Corporation. The Corporation continued access through the Hawkeye Community College where they had the business back-up center away from the business site. The College also provided hospital beds for people. The Colleges provided a lot of infrastructure, Task Force members should think about best ways to coordinate that. Community Colleges can also provide training to those who have experienced disasters on

how best to manage disasters in the future. Kirkwood Community College developed a statewide program on teaching businesses how to protect businesses and homes. There are several opportunities through community colleges such as plumbing, skill trade training, short-term training etc.

Chairman Gerhard asked Jami Haberl to present next.

Jami Haberl, Executive Director, Safeguard Iowa Partnership

Jami Haberl talked about her organization. The Safeguard Iowa Partnership is a voluntary coalition of the state's business and government leaders, who share a commitment to working together to prevent, protect, respond, and recover from catastrophic events in Iowa. The Partnership was created in 2007 by the Iowa Business Council. Haberl talked about five initiative teams which include: Resources and Preparedness Initiative; Communication and Coordination Initiative; Education and Exercises Initiative; Partnership Development and Outreach Initiative; and Partnership Marketing and Public Awareness Initiative. Haberl talked about their efforts that began on May 26th to provide situational awareness to partners about events taking place in the Northeast Iowa. This continued through end of June. She said that it is helpful for people to look at the statewide issues. Government agencies are very active in their response activities. Haberl emphasized the importance of working closely with government representation and also with the private sector. She said that it is important to identify resources required to respond whether it is volunteers or actual supplies example donated water, or poly plastics. Haberl emphasized donation management and working with businesses across Iowa to help Iowans recover. Haberl also emphasized the need to streamline the process. She said that the Partnership provided assistance in planning and logistics. She said that Iowa has an advantage since it is close to I-80 and I-35. The Partnership worked with DOT and Public Safety to ensure that supplies were transported. This was critical because the interstate provides transportation nationally. Haberl informed the Task Force of the recovery process and their work with the federal, state and local agencies in Iowa across the US. It is critical to make sure that there is no duplication of activities. She informed the Task Force that Cedar Rapids, Iowa City, and others have recovery funds and she wants to make sure that people are aware of it. She talked about the Partnership's recovery efforts that started with weekly conference call. Cedar Rapids and Iowa City have done a couple of programs to help fellow businesses. They are also working closely with the Chamber of Commerce. The International Economic Development Council did a number of interviews with business owners. She recommended the group to look at possible grant opportunities.

It was asked how the partnership hooks the resources that businesses provide with the community. Haberl mentioned that they encourage people to donate private cash. They continue to work with voluntary organizations that are active on the ground such as Salvation Army, Red Cross, or Habitat for Humanity. Haberl talked about using an online system to match the needs. Once they match, they send out the needs to the business communities.

Chairman Gerhard introduced the next speaker, Alex Contreras - SBA

Alex Contreras, Iowa Small Business Administration (Contreras replaced Stacey Brown, the original speaker)

Alex Contreras talked about the SBA program for businesses; the program is broken down into low income disaster loans. The deadline for loans is September 29, 2008. Businesses can borrow a maximum of \$2 million. The second program for economic injury is based on need such as a need for working capital. Typical examples include business interruption, loss of

revenue, payroll, etc. The maximum loan amount is \$2 million. Businesses can apply for any combination of physical damage or economic injury loans. The loans are granted for a maximum of a 30-year period. The interest rate can either be four percent or eight percent. Ninety-five percent of the businesses are approved at a four percent rate. The eight percent rate is based on credit score. This is strictly for cash flow. A business needs to show repayment ability to get these loans. A business needs to have collateral to borrow loans. However, businesses can borrow up to \$14,000 without showing any collateral. He mentioned that in Iowa 263 businesses were approved for the total amount of over \$27.7 million. Assistance in Cedar Rapids contributes to the majority of the loans. He also mentioned that there is a 15 percent application return rate which is fairly typical. Business owners tend to take longer to file. However, the processing time is fairly quick and averages to 10 days. First disbursement of funds is given five days after a loan is approved. Delays occur when businesses come for an application and take a lot of time to file it. Contreras mentioned that if a business goes through a lender such as a Bank, that will not disqualify someone from getting assistance from SBA. SBA's goal is to see all businesses up and running. Businesses have the option to get a loan from a local bank but SBA should be preferred because SBA can offer better terms.

Q. Does SBA include nonprofits? Contreras said that there were only 31 total applications from nonprofits, of which two were approved. He said that applications for nonprofits are typically more complex. Since one of the requirements is to show cash flow, nonprofits have a hard time showing that. Private nonprofit organizations do not typically have a lot of repayment ability. If they can show repayment ability, SBA considers them. SBA looks at cash flow from the pre-flood activity. Everything is based on previous ability on flood payment that can be anywhere from six months to a whole year. He said that applications for businesses and nonprofits are identical.

Contreras informed the group that 865 applications came in and 132 applications were withdrawn. 213 applications were declined because SBA needed to see more documentation from the businesses or they did not qualify. Contreras said that when they decline an application, they provide the applicant with all the reasons why the application is declined. Common Reasons for decline include inability to pay back and unsatisfactory credit history. Contreras said even if businesses are offered a grant amount from another source, that will not change the repayment ability therefore businesses cannot use a grant to apply for an SBA loan. Contreras also said that landlords fall under SBA business disaster loans. SBA does not provide home loans for primary residences. But it does make loans available for commercial residential companies. Contreras said that he has not heard back from people about issues of accessibility. He noted that most people have mindsets of not wanting to take another loan in addition to ones they may already have.

Contreras said that SBA is always available to help. If SBA sees a perceived need, they reach out. But, the problem is that there is an immediate need for people who have sustained damages. People do not understand how badly they have been affected. Any SBA center is willing to provide assistance. They have centers in Dubuque, Davenport, Cedar Rapids, Iowa City, Waterloo, Urbandale, Ottumwa, Fort Dodge, Spencer, Sioux City and other cities. Contreras also informed the group about the Business Recovery Center in Cedar Rapids which is operated by SBA. The Business Recovery Center is a one stop location. In the Center, there is a customer service representative and on the other side, there is a business resource partners. The Center also has counselors from SCORE. There are no appointments necessary, and the center is open Monday to Saturday, six days a week during regular business hours. The average approved amount of loan is \$60,000.

Contreras also mentioned that SBA is required to know any kind of assistance from other vendors, such as insurance, since they cannot duplicate any compensation. Businesses can only borrow for the uncompensated needs. Therefore, any grants that are offered need to be cross checked with the loans that are awarded. Grants should not be used to pay down the loans. SBA is working with the Cedar Rapids Chamber of Commerce to cross check on grants that are being dispersed. Contreras informed the group that any applicant that has been declined has the option to reapply. Applicants are reconsidered only if the businesses request to be reconsidered.

Contreras informed that is easiest to apply for SBA loans if businesses first register with FEMA since FEMA is the lead agency. Once a business registers with FEMA, they automatically refer the business to SBA and will automatically mail in application. This step is not a requirement but can be helpful. You can directly receive an application from SBA directly. Contreras said that he will send the break out data to the staff of the Task Force to be distributed to everyone.

John Boyle, FEMA

John Boyle, FEMA, informed the group about process of FEMA's assessments. He said that they have started to put together assessment tables related to each community. They are collecting data in terms of housing and economic impact. They are also looking at the publicly-funded buildings and get information related to businesses. They are in the process of completing some of the preliminary data gathering. They will be collecting data on the impact and will quantify that as soon as possible.

Chairman Gerhard asked the representative from United Way to present.

Jane Fogg, United Way of Central Iowa

Jane Fogg of the Central Iowa United Way noted there are 32 United Way agencies in the State of Iowa. Some of them have no staff while others have a fairly good number of staff members. United Way's overarching desire is to help families become financially stable. United Way is looking at helping families get back to work. United Way gives priorities to individuals who have had income interruptions. She said that greater priority is longer term recovery since people are drawing from all sources such as retirement, college fund, etc. This is increasing the demand for human services. The human services are increasing the number of people who exceed the guidelines for assistance but there is a growing need to have more human service providers. Demand on human services systems in the community will be greater. United Way is measuring the demand by tracking the number of calls received in the 211 system. They are monitoring that on a regular basis and will allow them to know which families are in immediate need. There is also a growing demand for transportation. United Way is also working with Iowa Workforce Development to help figure out how to reach people. United Way has set up tents and is going where the people in need are. United Way is also making good use of its network comprised of the community-based organizations. United Way is helping with communication and identifying where the needs are, where the hot buttons are. United Way is willing to serve as a partner in the recovery process. Jane informed that there is a disproportionate impact on low income workers. People who were working two jobs before and now doing only one job are unable to meet their needs on one job salary.

It was emphasized that quality of life is critical to retention. Therefore, the Task Force should keep nonprofits and arts and cultures in mind.

Nationally, one out of every nine dollars that are generated comes from nonprofits. Nonprofits also generate \$9 billion in economic revenue. Some of the nonprofits in Cedar Rapids,

especially the critical service providers, are currently operating in expanded roles and are operating on a line of credit. There is a need for assistance. Since the recovery process is going to increase the demand for United Way services, they will need loans on previous lines of credit. Therefore, any cash based-assistance is greatly needed to ensure that nonprofits are able to carry out their functions. Nonprofits are extremely fragile but have long-term economic impacts.

Issue Identification

Slater talked about having a healthy start to begin to address issues. Discussion from today's Task Force meeting will provide some reference point to the Governor and the General Assembly. There will be more discussions later on as work continues on Rebuild Iowa. Slater emphasized that the Task Force should also think about smaller, down-stream communities and also communities that have had other disasters. Since small communities do not always have the resources, the group should think from their perspective also. Rosmann asked the group to brainstorm and identify the overarching issues.

Issues

Business Disaster Assistance: The state should work closely with the local economic development organizations to identify risks. The group should look at the special programs for disaster assistance that are in place and may look to relax the requirements. Palmer emphasized the need to have quicker reaction time and better communication. Community colleges should be utilized since workforce is integral and one should work to ensure that communities stay viable.

Educational and Neighborhood Infrastructure: The Task Force discussed the need to help the working class families. Since many communities have elderly who are frail and do not work, one needs to ensure that there is a workforce that will replace them. There is also a need for neighborhoods to ensure that the schools remain intact.

Comprehensive Planning (small, rural areas and towns): It is critical to give attention to smaller communities so if any plans or funding programs are developed, they need to apply equally to everyone. Programs and recommendations should fit all Iowans and not just the cities. Any recommendations should go beyond the usual suspects. Economic development has to continue to go forward in the state. A healthy economy should evolve and change with time.

Relief and Development: Recovery should consist of two-step process. Relief should be followed by redevelopment efforts.

Accelerated Business Cycle: The group discussed the need to accelerate the business cycle. As the state plans, they should continue to think about the resources for the new economic development opportunities.

Streamlining Resources: There might be people who fall through the cracks. He said that Iowa has to recognize that small businesses are tax payers, and have payrolls. The state should do whatever they can to assist small businesses and not just focus on the large companies.

Coordinate Better Ways to Educate People: The importance of educating business owners on how to run businesses, such as how can they lower their operations costs is very important now. Such training should be short term but also long term.

Revenue Replacement: The Task Force should study the lost revenue of small businesses. One should seriously look at some grant issues and figure out how it can help them. Marketing funds should be utilized to show that downtown districts are open to continue business operations.

Market Behavior: There is a need to look at the market behavior and adjusting accordingly. He said that what worked well in the past will not work now and that everyone needs to make adjustments. Also, there is also a need to figure out who is in the market now. There are business owners and others who do not know about available resources. Technical assistance providers do not have a good enough profile therefore, everyone needs to get the word out to people to notify them of the technical assistance that is available. He also said that is important to match responsiveness with the needs. It is also important to provide access to the correct kind of capital for businesses. There should be some local decision-making.

Iowa – creating a place and sense of renewal resulting from disasters

Tax Abatement and Local Disbursement of Funds: Need to consider using tax abatement as a way to increase funds for businesses. He also said that funds should be given to local agencies to disburse since they know better what their needs are.

Public-Private Partnership: The importance of public-private partnerships and working together to take advantages of all programs vs. one or the other. Partnerships that address recovery and long term progress should be given strong consideration.

Entrepreneurs: The group suggested that entrepreneurs should be assisted/trained to fill the void that will remain as people close businesses.

Business transition/sustainability: It is necessary to figure out ways for businesses to transition in a way that will allow them to sustain long term in the community.

Access/Leverage Resources: Government systems are very complicated and the process should be streamlined so that accessing resources is easy and simple. Making the process easier will help younger generations to learn how the system works. Many people do not know all the different resources that are available.

Sales Tax Redistribution: Business retention as a very critical issue. Therefore, sales tax redistribution, especially in smaller communities, might provide a mechanism to keep businesses in a location.

Nonprofits: People need to look at long-term loan programs. He said that nonprofits are an important part of the economy and they should be visible and seen as a part of the economy.

Long-term Strategies: The state should look at the overall goals that convert disaster into an opportunity. One should look at recovery efforts and see how it fits with the state goals. This process is giving an opportunity to look at every entity and its long term impact. Slater said that the charge is to look at the issue of the day but is also an opportunity to invent things for the long term.

Disaster Preparedness: As we recover and plan, we should be prepared for the next disaster. Emphasize entrepreneurship and figuring out what is working and what is not. The state should look beyond 45 days.

Business Relocation: It will be necessary to provide incentives to businesses to relocate elsewhere and not on the floodplains.

Population Decline in the State: Also, we need to provide statewide incentives for graduates of ISU and other universities to open small businesses. People are not aware and/or do not have the right incentives.

Small Business Program Enhancements: Tramontina mentioned that it is safe for larger companies to reopen when it will cost them around \$3 million to open up but this is not true for small businesses. Therefore, the state should help them through special enhancements that will make them sustainable in the long run.

Leveraging Federal Dollars: Elisabeth Buck said that it is important to leverage federal dollars soon because once the deadline is over, there won't be any accessible funds.

Slater asked the group to focus on priorities for these issues. Chairman Gerhard talked about coming up with some game plan to get more funding to businesses. He agreed with Buck that they have not exhausted all the federal funding. He also mentioned that the state should be asking for extensions. Contreras mentioned that there is always an issue of time for small businesses. Therefore, making recommendations that are timely is very critical. There should be incentives for people to know that help will be provided to them fairly soon or incentives that will keep them in the city.

Slater asked the Resource Group members if they had any comments. The Resource Group members had the following comments regarding issues.

- **Learn from History.** Businesses have their own life cycle. Opportunity to accelerate workforce development.
- **Flood Insurance:** Businesses absolutely need to have flood insurance if they are building in the floodplain. It was noted that people are not asked to buy other type of insurance such as tornado insurance so why should there be a need for flood insurance?
- **Cash:** The immediate need is having cash, and there should be clauses required that allows borrowers to not to pay back the loans under certain conditions.
- **National View of Iowa:** Iowa should be shown as a place for doing business.
- **Creative and Intensive Outreach:** We need to continue to recruit business into Iowa now more than ever.
- **Road Blocks:** Businesses should be made aware that if they are getting incentives, there will also be road blocks and realistic policy barriers.
- **Urgency:** The state and all who represent the state should demonstrate the urgency of our situation to the Congress.

Gaps Identification

The Task Force and Resource Group were asked to identify current gaps. Slater asked the group to brainstorm any gaps. The group came up with the following gaps.

- **Individuals/businesses need immediate help.** The group agreed that there is no safety net for businesses that will give them an incentive to stay in the communities.
- **Gaps in State Funding:** There are apparent gaps to helping support businesses beyond the SBA program.

- **Unforeseen Issues:** As winter approaches, tension will rise and there will be gaps in workforce.
- **Communication:** Any recommendations made should emphasize outreach to businesses.
- **Coordination:** There are gaps in coordination of what is already there.
- **Perceptions vs. Realities:** We need to sustain the fact that “we are open for business” and Iowa is a great place.
- **Time Gap:** There is a time and resource gap for individuals who are dealing with flooded out businesses.
- **Data Gap:** There is lack of concrete data on what the business needs are.
- **Outreach to Everyone:** The group agreed that there are gaps in outreach to everyone.
- **Realistic Business Policy Solutions:** The state will need to develop some immediate and realistic solutions to address business recovery and retention.
- **Mental Health Effects:** Mental health effects will show in a month or two and may impact workforce.
- **Social Issues:** Homelessness will also impact workforce.
- **Preparing for Future Disasters:** We need to prepare for future disasters and start doing it now.
- **Funding for Local Entities:** Communities need to have a way to raise revenue.
- **Housing Needs:** There are immediate and longer-term housing needs and they need to be appropriate for the community.
- **Safety Net for Low Wage Workers:** We need to create a safety net for low wage workers who will feel the results of these disasters even more.
- **City/County Property Tax Structure:** This is an issue that for a long time needs to be addressed.
- **Lack of Understanding of What is Short Term and What is Long Term:** In the short-term, it is critical that our work is focused on human service needs and the people most in need. Everything else is intermediate in the long run.

Slater suggested the group should look at the immediate needs (now until six months), a two to three year time period, eight to 10 years, and 20 years in terms of understanding our immediate and longer-term challenges and planning for the state.

People who have not been directly impacted should put themselves in the shoes of those who have been impacted. Small businesses are watching us about immediate and long term needs. We do not want the people impacted to think of officers and others as people in suits who are out of touch with reality.

There is a very real reason to address basic human needs. There should be some kind of measured response. The state should not lose the opportunity do something good. Businesses do not need to be in downtown as long as they are in the community.

Recommendations

Slater asked the group to make recommendations. These are the suggestions.

- **Immediate Business Grants:** The state needs to step up and come up with developing resources. There might a possibility to reallocate the money that is reserved to spend on recruiting new businesses in terms of retention ,and shift those funds to the direct needs of businesses that need help now. Governor needs to be thinking about what is more

important – workforce/economic development or helping the victims. Focus should be on business recovery.

- Develop small business funds: Create a fund beyond SBA.
- Re-allocation of funds: Re-allocate existing funds where they are available.
- Equity to leverage loans for nonprofits.
- Communities have inputs on priorities.
- State loans to business without SBA assistance: State should be willing to lend money to small and micro businesses. This should be an alternative to the SBA loans.
- State small business loan fund/program: In order to improve the survivability, technical assistance and support should be provided as part of a small business loan. This should be mandatory as an alternative to SBA.
- Required technical assistance to participating organizations.
- Evaluation and outreach for existing resources: One should look at the data today and forecast needs that will be immediate as well as usable in months down the road.
- Rainy day fund requires legislation: Bill Dotzler talked about creating a model that will work. He suggested using part of the rainy day funds which consists of emergency cash reserves, of which five percent requires two-thirds of the majority vote in the chamber and five percent cash reserve requires 51 percent of the vote. These three pools are available based on legislative actions.
- Policies for floodplain development: There should be a different tax structure for people in the floodplain. The state should review policies regarding floodplain.
- Forgivable loan program: Businesses should be given forgivable loan programs that tie with the local and regional community. There should be conditions imposed on these loans. Tramontina talked about three conditions for granting forgivable loans.
 - Businesses should reopen
 - Businesses should hire back at least the 90% the same people as before and
 - Pay the same wages. The group agreed that this is very reasonable. If companies agree to meet these terms, loans should be forgiven. Nonprofits can apply for this with the same rules but will need to meet eligibility criteria from SBA.
- Legislative action to cover local matches for federal dollar: The state should look at other opportunities for federal dollars such as through the Economic Development Administration (EDA). If the federal government offers matching funds, the legislature should consider those. CDBG grants are good for matching.
- Ensure continued skills training: Community colleges should have funds and resources available to meet the skills shortages through providing adequate training. Some folks just need soft skill training.
- Utilize existing state programs as vehicles to get money to local level and those in need.
- Business criteria for rebuilding programs.
- Job retention focus for existing businesses.
- Creative economy: Assistance should be provided to existing businesses, those which drive the economy, especially in those areas. It is imperative that the community continue to attract competitive advantage and should portray a good image that the community is still open for business. Job creation for existing business is crucial.
- Putting more money to enhance riverwalks and levee systems, especially in those towns that were hit, is more important than ever. For economic development, the value of businesses close to the river should be increased. Recreational opportunities also create an echo effect in the community and will drive the cradle of the economy.
- Addressing business as a whole.

- Attention should be given to large businesses because they are the driving engine of the economy. If a community loses a big business, it is hard to replace it with a big business.
- It is important to support the very small businesses that provide jobs.
- Funding to support local organizations: Putting money through community foundations is phenomenal as it will give a lot of local control. It will increase flexibility to reach to so many areas in the state. There should be opportunities to go out to philanthropic institutions. There should be a statewide effort focused on seeking out specialized money for foundations in addition to Embrace Iowa.
- Regional technical assistance and support: The state should engage in regional coordination and economic development. The state can also focus regionally and provide financial support and use the technical assistance available. (Councils of Government; Small Business Development Centers; Iowa State Extension; Iowa Community Colleges; and Regional Economic Development centers)
- Flexibility of cities to generate revenue: The local governments should be allowed to raise money. Policies should be adapted to ease the process of recovery.

Slater asked the group about ways to receive funding.

- Earley concluded that the consensus priority of the Task Force is that the Commission recommend to the Governor and the General Assembly to access the rainy day fund and other funds from the current budget and channel funds to small businesses through a small businesses forgivable loan program while taking into consideration other factors such as funds for technical assistance.
- Earley suggested that the group take a look at a program for a period of time and redirect those dollars in the next budget year. The group should determine how to direct the state's attention to the highest need. In order to establish some focus, the Task Force needs to give a clear message that we need the money to retain existing business. Short-term focus should be at going to prospects. For example, two-thirds of the money should go to existing Iowa companies that expand and recover. Take existing funds for basic sector industry. The state should also develop a special relief fund.
- There are funds that can be taken out of the economic development state budget. The state has done a fabulous job of attracting wind industry. Earley mentioned that he is not sure how the next year is going to be. IDED wants to do something and is willing to put in \$5 million dollars and wants to get other funds to match it. Reallocation of current funds is possible only if there is a safety net. But, it is critical to send the message out to the General Assembly. Chairman Earley asked for preference for retention of business instead of prospecting. He said that it is important to show retention of current business without indicating that funds are being reallocated from other prospects.
- The state should also keep the balance and fill empty industries. Intellectual capital can become a new business. State should be ready to have the dollars to capture those businesses. Preference is to find resources somewhere else. Even the rainy day fund won't be enough. These efforts should not harm the economic development program. It was suggested that a real focus should be on job retention.
- Someone suggested if there are a lot of people who are part of the decision-making and were not affected and might be willing to assist but the question is to what level will they be willing to compromise if they lose funding. Another suggestion was that one can put taxes in place.
- The group agreed that funding received should be applied towards developing a small business fund. Chairman Earley raised the question on whether it can be guaranteed that businesses will not be affected again if they are given the assistance that they are looking for.

Slater noted that the staff will bring together the other issues into categories that relate and include them as critical aspects of the Report.

Elisabeth Buck sought consensus from the group to ask to extend the deadline on the Community Jobs Program to later in the year. . Everyone supported that request.

Slater noted that a report, due later in the month, will be drafted and include the core consensus recommendations. Task Force Members and Resource Groups Members will be asked to review the draft for content only.

Co-Chairmen Earley and Gerhard each thanked the Task Force and the Resource Group members for their inputs. They thanked the general public for attending and providing valuable insights. They also thanked Slater, Rosmann, and Kasotia for facilitating. Slater asked people to share any of their views with Laura Stein. Co-chairmen Earley and Gerhard adjourned the meeting.